that in India, the share of industry in GDP has remained constant while that of services has risen rapidly. This might pose a challenge for sustained growth, as productivity increases in the services sector are normally less strong than in the manufacturing sector. Therefore, it would be important to acelerate the development of its manufacturing industry for India to be able to maintain its GDP growth.

(b) The TDR points out that a shift towards manufacturing is crucial in India, if it is to sustain its impressive economic performance. Though TDR does not clearly suggest a focus on manufacturing sector at the expense of the IT based services sector, it expresses uncertainty whether their share in India's export earnings can rise much further-thereby making a case for the Indian IT sector to move up the value addition chain and not remain trapped at the low end of the market, exporting services such as debugging, testing, conversion and installation of software. The TDR observed that historically, there has been no case of economic catch-up based on the development of the services sector where the scope for productivity gains is more limited than in manufacturing. While the IT revolution has certainly changed the potential for the services sector to support rapid growth in developing countries, the size of the world market for IT based services is smaller than that for manufactures. The TDR also strongly advocates, for both China and India, technology up-gradation to support more diversified and higher value added production to maintain economic growth, as more developing countries develop capacities to produce labour-intensive manufactured goods resulting in higher competition in manufactured exports. It also indicates that in India export dynamism in manufacturing is likely to become stronger and that it is widely expected that improvement in transport facilities and continued reforms with improvement in transport could reduce current disadvantage of other sectors (other than IT) in exporting.

(c) The Government has put in place various policies to promote industrial growth. Besides delicensing of industrial capacity, liberalisation of foreign trade regime to provide better access to inputs at competitive prices and rationalization and reduction of customs and excise were carried forward. The Budget 2005-2006 also contains a number of measures related to manufacturing and infrastructure, envisaging favourable impact on industrial growth. Besides, Industrial Infrastructure Upgradation Scheme (IIUS) has been launched to enhance international